

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer



MEMORANDUM

TO: The Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi [signature]
Chief Financial Officer

DATE: May —5, 2004

SUBJECT: Fiscal Impact Statement: “Sales Tax Holiday Amendment Act of 2004”

REFERENCE: Bill 15-609 as Introduced

Conclusion

Funds are sufficient in the FY 2004 budget because of a planned \$0.4 million reserve created for the purpose of this bill. Funds are not available in the Mayor's proposed FY 2005 through FY 2008 budget and financial plan as submitted to the Council of the District of Columbia. **The proposed legislation will cause reductions in sales tax revenue estimated to be \$0.40 million in FY 2004 and \$4.88 million in FY 2004 through FY 2008.**

Background

The proposed legislation would exempt certain sales of clothing, footwear, and clothing accessory items costing \$100 or less from the District's gross sales tax during two periods of the year. The first period will begin at 12:01 am on the first Saturday in August and end at midnight on the second Sunday in August of every year¹. The second period will begin at 12:01 am on the fourth Friday in November ending at midnight of the first Sunday in December. The sales tax exemption will apply to mail order items if the seller accepts the sale within the defined period. It will also apply to lay-away items but only if the whole transaction is executed in the defined period. The exemption also applies

¹ An exception will be made when the first day of August falls on a Sunday. The exemption period is pushed forward a week thus ending on the third Sunday in August.

when rain checks are used or exchanged as long as the transaction is fully executed within the defined period.

The exemption will not apply if the exempt items are sold with non-exempt items, items sold as "buy one, get one free," or "buy one, get one for a reduced price" if both items are averaged to qualify for the exemption. The exemption will not apply to prices reduced via a manufacturer's coupon, rental items, or repairs and/or alterations of exempt items.

Financial Plan Impact

Funds are sufficient in the FY 2004 budget because a \$0.4 million reserve was created for the purpose of this legislation. Funds are not available in the Mayor's proposed FY 2005 through FY 2008 budget and financial plan as presented to the Council on March 29, 2004. The table in Figure 1 presents the estimated revenue reductions that would result from implementing the proposed legislation.

Figure 1.

Estimated Tax Reductions Impacting the Financial Plan					
(\$ in millions)					
FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	5 - Year Total
(\$0.40)	(\$1.05)	(\$1.10)	(\$1.14)	(\$1.19)	(\$4.88)